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THE BRUSSELS SUGAR CONVENTION.

BY BENJAMIN TAYLOR.

THE tariff movement in the United States and the negotiations for a reciprocal treaty between Canada and the West Indies make it desirable to consider what the Brussels Convention really is, and what it has done in especial for British colonies and British industries. In some quarters the fallacy has been current that the British sugar duty and the Brussels Convention combined to raise the price of sugar on the inevitable "poor man." The British duty and the Convention have nothing whatever to do with each other, and the only effect the Convention has had on prices has been to bring them to the level of economic conditions which they had not under the bounties.

Even the most ardent Free Traders had to confess that Protection did make the beet-sugar industry of Germany. After the Franco-German War, as an immense army had to be maintained and emigration had to be checked, home employment in Germany had to be found for the largest possible population in order to supply soldiers. The cultivation of beet-root for sugar furnished a large source of employment, and it became a matter of Imperial policy to encourage this industry. It was soon found to be very profitable, and rapidly advanced and outgrew the home requirements. Then the system of granting drawbacks on exported sugar provided a fresh source of profit, which formed the bounty. A similar arrangement was adopted in Austria-Hungary, and in both countries Protection permitted the formation of *kartels*, which allowed the sugar manufacturers and refiners to charge prices at home that insured handsome profits and led to still further expansions of the sugar industry. In Russia, which was not a first party to the Brussels Convention, a system of indirect bounties prevailed which encouraged the production and exportation of sugar to non-Convention countries.

The gains from the bounties enabled the Continental beet-sugar exporters always to undersell cane-sugar, which finally could not obtain a price to cover the cost of production, no matter how much the planter might economize. The weakest went to the wall first, some cane-planters with means held on longer, but all backward properties were abandoned and only those which were well situated and well equipped continued in the race. In Java, sugar plantations have always been well equipped and they are worked on strictly scientific lines, with the advantages of an abundance of cheap labor, so that cane-sugar is produced there more cheaply, probably, than anywhere else; but even in Java it was at one time seriously debated whether the industry would not have to be abandoned. The result of the bounty system was that no cane-planter could develop his estate or improve his machinery, no new plantations were made, and no one would put money into a cane-sugar scheme in a British Crown Colony. Therefore, orders for sugar machinery dwindled away almost to the vanishing-point. During the period 1900 to 1902, the output of those engineers in Great Britain who engage in this class of work was not more than one-fourth of that of former normal years.

The German Sugar-makers' Associations frankly rejoiced that Colonial cane-planters were being driven off the field, that their capital was gone, their credit exhausted, and that a continuance of low prices would ultimately complete their ruin. The policy of the Continental beet-sugar makers was to keep down prices until cane-sugar competition would be forced out; beet would then control the markets of the whole world. The Brussels Conference, however, upset that policy. The Convention abolished the State Bounties and diminished protection to an amount that prohibited *kartels*. The Continental beet-sugar manufacturers have now no artificial stimulus to overproduction, and have to be content with supplying their share of the world's demands at prices fixed by open competition regulated by the production year by year of the whole sugar world.

The United Kingdom was the only country in which the bounties upon Continental sugar were of service to the producers in marketing their produce. The West-Indian Colonies received no bounties and were placed at a great disadvantage in all markets—except the United States, where bounty-fed sugar

was countervailed. In the British markets these Colonies are at a geographical disadvantage as compared with the Continental beet producers. The serious condition of these colonies was thus noted in the report of the West India Royal Commission:

“Dealing broadly with the whole question, we may say at once that, looking to the low prices now prevailing and to the probabilities as to the future of prices, the sugar-cane industry of the West Indies is threatened with such reduction in the immediate future as may not in some of the Colonies differ very greatly from extinction, and must seriously affect all of them, with the single exception of Grenada, which no longer produces sugar for export.”

The Commissioners further gave it as their opinion that,

“The benefit which the British Empire as a whole derives from any lowering of the price of sugar, due to the operation of the bounty system, is too dearly purchased by the injury which that system imposes on a limited class, namely, Your Majesty’s West-Indian and other subjects dependent on the sugar industry.”

Some Free Traders would do nothing to abolish bounties, on the erroneous assumption that the abolition of them would deprive consumers in Great Britain of the benefit of “cheap sugar.” The late Lord Farrer, when chairman of the Cobden Club (in 1897), however, said:

“Upon that point [sugar bounties] we, as Free-Traders, must walk warily. We must admit to the fullest degree that sugar bounties are an abomination and we must not, because they make sugar a little cheaper in this country, say they ought to be continued.”

And as to the claim that the bounties had been a great boon to this country, bad as they had been for British colonies, Sir Neville Lubbock said:

“No evidence is vouchsafed in support of this assertion, and I venture to say that, if an impartial estimate were made and a balance struck between the losses inflicted on this country by the collapse of its sugar and allied industries, on the one hand, and the gain accruing to our consumers from any lowering of the price of sugar which may legitimately be traced to the operation of the bounty system, on the other hand, it would be found that this country stands to gain very largely by the abolition of that system.”

The removal of the bounties led to the disappearance of the divergent scale of European prices, and actually increased the

demand for sugar. The total abolition of burdens and a freed consumption have given the producers better results than any derived from the old system. The British consumer has to pay no more for his sugar than *its true economic value*. And there has been renewed prosperity of the home and Colonial trade.

It is necessary to recall that the Brussels Conference of 1898 was fruitless as regards its main purpose, though it found that the majority of the bounty-giving nations were willing to throw off the burden; but France and Russia then barred the way to an agreement by reserving from discussion their internal legislation which conferred an indirect bounty on exportation. The French expressed willingness to abolish the direct bounty granted in 1897, but refused to discuss the indirect bounty, which was three times as large. The Russian Government at that time had no intention of altering its external legislation. All efforts at a compromise were therefore unsuccessful. In October, 1900, however, a preliminary agreement was concluded between Germany, Austria-Hungary and France, with the object of paving the way for further negotiations. France was by this time willing to give up her export bounty and one-half of her indirect bounty, on condition that Germany and Austria-Hungary would give up all their bounties.

The material difference between the latest Brussels Conference and the first (1888) International Conference at London may be briefly indicated. At the London Conference of 1888 all the bounty-giving Powers met for the purpose of discussing the best means for the abolition of sugar bounties. The object of the British Government of that day was to endeavor to bring about a mutual agreement by which this vexed question should find a practical solution. The result of that Conference was the signature of a Convention by the representatives of Great Britain and the bounty-giving Powers, containing a penal clause by which, after a certain date, the signatories—with the exception of France and (with certain reservations) Austria—agreed to exclude bounty-fed sugar, either by absolute prohibition or by countervailing duties levied upon it. The necessary Bill was prepared, and introduced by the present Lord Pirbright into the House of Commons; but, owing to the opposition of certain members of the Gladstonian party, the measure was dropped.

Fourteen years afterwards a Convention was signed at the

third Conference at Brussels, on March 5th, 1902, which Convention is now in existence.

The high contracting parties therein undertook to suppress all direct and indirect bounties by which the production or export of sugar would benefit, and not to establish any bounties of the kind during the whole duration of the Convention. This applies to all advantages resulting directly or indirectly, for the several categories of producers, from the fiscal legislation of the contracting States, including the direct bonuses granted to exports, the direct bonuses granted to production, total or partial exemptions from taxation granted for a part of the manufactured output, profits derived from the surplusages of output, profits derived from exaggeration of the drawback, and advantages derived from any surtax in excess of the rate fixed by article four. The second article deals with arrangements for the surveillance of factories. In article three, the contracting parties undertook to limit the surtax to a maximum of 6 francs per 100 kilogrammes for refined sugar, and to a maximum of 5 francs 59 centimes for other sugars. The surtax is the difference between the rate of duty or taxation to which foreign sugars are subject and that imposed on the home product. The provisions of this article do not apply to the rates of import duties in the case of countries that do not produce sugar and, therefore, not to Great Britain. By article four the contracting parties agreed to impose a special duty on imports into their respective territories of sugars from countries that grant bounties either for production or export. This duty is not to be less than the amount of the bounties, direct or indirect, granted in the country of origin; and the Powers reserved liberty to prohibit altogether the importation of bountied sugars. Article five provided that cane and beet sugars ought not to be subjected to different rates of duty. By article six, Spain, Italy and Sweden were freed from the obligation imposed in article one, as far as producing countries are concerned, as well as from the undertakings embodied in articles three and four, as long as they do not export sugar. Article seven provided for the establishment of a permanent International Commission of Surveillance to sit at Brussels. This Commission exercises a general control, settles any litigious questions that arise, and decides as to the admission of States that did not take part in the original Confer-

ence. In article eight the high contracting parties undertook to prevent bounty-fed sugars, which have passed in transit through a contracting country, from enjoying the advantages of the Convention in the market to which they are being forwarded. According to article nine, States which have taken no part in the Convention may be admitted to adhere to it at their request, and after giving notice in conformity to the permanent International Commission. By article ten the Convention came into force on September 1st, 1903, to remain valid for five years from that date; and in the case of any of the high contracting parties not having given notice, twelve months before the expiration of five years, of its intention of ceasing to abide by it, it will continue to remain in force for a year thereafter, and in the same way from year to year. In the event of one of the contracting Powers denouncing the Convention, this denunciation will only have effect on that Power. The other Powers retain, until October 31st of the year in which the denunciation is made, the right of announcing their intention of withdrawing on September 1st of the succeeding year. If more than one Power desires to withdraw, a conference of the Powers shall meet at Brussels within three months to decide upon the course to be taken. By article eleven the provisions of the Convention apply to oversea provinces, colonies and foreign possessions of the contracting parties, with the exception of the British and Dutch colonies and possessions, regarding which declarations were inserted in a final protocol.

The concluding protocol of the Convention runs as follows:

"On the point of proceeding to the signature of the Sugar Convention concluded this day between the Governments of Germany, Austria-Hungary, Belgium, Spain, France, Great Britain, Italy, Netherlands and Sweden, the undersigned plenipotentiaries are agreed as follows: As regards Article III, seeing that the object of surtax is an efficacious protection of the market of each producing country, the high contracting parties reserve to themselves the right to propose an increase of the surtax should considerable quantities of sugar from one of the contracting States find their way into their own territories. This increase would only apply to sugars coming from that State. Such a proposal must be addressed to the Commission provided for in Article VII, which will decide whether they are good enough for the proposed measure as to the period for which it shall be enforced, and on the extent of the increase, the latter shall not exceed one franc per 100 kilogrammes. The assent of the Commission shall only be given when

invasion of the market in question is the consequence of an actual inferiority and not the result of a fractious increase in price, brought about by an agreement between producers. As regards Article XI, (1) the Government of Great Britain declared that no bounty, direct or indirect, shall be granted to sugars from Crown Colonies during the duration of the Convention; (2) it also declared as an exceptional measure, and reserving in principle entire liberty of action as regards fiscal relations between the United Kingdom and its colonies and possessions, that during the duration of the Convention no preference will be granted in the United Kingdom to colonial sugars as against foreign; and (3) it finally declared that the Convention shall, by its intermediation, be submitted to the self-governing colonies and East Indies, so that they may have an opportunity of giving their adhesion to it. It is understood that the British Government has power to adhere to the Convention on behalf of Crown Colonies. The Government of the Netherlands declares that for one duration of the Convention no bounty, direct or indirect, shall be granted sugars from Dutch Colonies, and that such sugars shall not be admitted into the Netherlands at lower tariff than that applied to sugars from any of the contracting countries."

This Convention, then, provided a method of abolishing bounties by international agreement, which the Legislatures of the several countries concerned duly ratified. The Convention did not come into force until September, 1903, because the sugar year extends from September 1st to August 31st; and, as a large part of the business in sugar is done on forward contracts, these contracts would be largely conditioned by the sowings and arrangements of 1902-3. The beet farmers and manufacturers of the Continent were allowed time to adjust themselves to the new conditions.

An objection was urged on account of the stipulation in the protocol that Great Britain shall give no preferential treatment to the sugar of her colonies during the duration of the Convention; but cane-sugar in the tropics, under vigorous and scientific management, can be produced more cheaply than beet-sugar in Europe. Under the Convention, Britain cannot differentiate in favor of colonial sugar. The only course for the Colonies was to waken up, and, by the aid of fresh capital, to improve and cheapen the cost and increase the bulk of production. It was suggested that the limitations of the Convention to five years would prove a discouragement to the investment of capital in the West Indies. This has not been so, and the Convention can only terminate by all the parties denouncing it.

From an industrial point of view the Convention has been of the highest importance to Great Britain. There has been no ground for the fears of those who thought or said that the abolition of the bounties would make sugar so dear as to injure her jam, confectionery and biscuit industries. These industries stand on their merits. They produce what were once luxuries, but are now ranked among the necessities of life to the middle and working classes. Sugar has not been made "dear" in an economic sense, and the sugar-consuming industries are in effect protected from foreign competition by the high duties imposed on the consumption of sugar on the Continent.

The effect of the Convention was to make it more convenient for the Continental beet-sugar manufacturers to export raw, rather than refined, sugar. Thus resulted the revival of the British refining industry, previously decadent. Under the adverse influence of the bounties, sugar-refining fell off very seriously in Great Britain; the imports of raw sugar declined and those of refined sugar increased. But there has been an increase in the imports and deliveries of raw sugar since the Convention year.

There was an enormous increase in refined sugar under the bounties up to 1900-02, then a sharp decline after the Convention year. Britain has not consumed less refined sugar since 1903, but she has refined more herself, to the advantage of British labor. One may search the statistics in vain for any evidence in support of the complaint of confectionery and aerated-water manufacturers that the Convention has hurt their export trade: and one can certainly find no indication of any falling off in the domestic consumption of these products.

Although in the countries (Britain excepted) which are parties to the Convention beet-sugar still enjoys some protection, it amounts to only forty-two shillings per ton. West-Indian cane-sugar is not protected, and in competition with European countries it has to bear this handicap of about one farthing per pound. But, even with this disadvantage, the conditions secured by the Convention for the cane-sugar growers were practically those of Free Trade, and their effects were very soon made apparent by the increasing orders given out from the Colonies for improved machinery for cane-sugar making.

The usual estimate of annual outlay on machinery by cane-planters was one pound, sterling, per ton of sugar produced.

For the British West Indies alone this would represent about £250,000 per annum, and for the whole cane-sugar industry it would represent several millions per annum. British engineers have never, of course, had all this machinery trade to themselves. The French have always had some proportion of it; and, latterly, American, Dutch and German engineers have sought and obtained some share (although their home markets are securely protected against foreign sugar machinery). But, wherever cane-sugar is made, the work of British engineers is to be found, and it still preserves its high reputation. The proximity of Cuba to the United States favored cheap freights for American machinery, tariff arrangements give it an advantage of two and one-half per cent., and financial combinations ensure for it a further preference. Nevertheless, Great Britain has benefited even in Cuba during the few years the Brussels Convention has been in operation.

Although cane-planters on the verge of bankruptcy could not instantly renovate their plant, their machinery requirements have steadily increased since 1902, and British engineers have been employing double and treble the number of men they employed for ten years previous to that date. But on the threatened abandonment, two years ago, of the Brussels Convention various schemes were arrested, and so British enterprise was once more checked and the employment for British workers was again menaced.

The future development of the sugar products of the world to meet the ever-increasing demand (at the rate of about four per cent. per annum) is more likely to be in cane than in beet, because the former costs really less to produce. But if the Brussels Convention terminated and the bounty system were revived, the cane-sugar industry would again diminish, if not disappear, and with it sugar-refining, sugar-machinery manufacture and the other allied trades, in Great Britain. In these days, when the question of lack of employment is an open one and the Labor vote is abroad, it is an important consideration how the bounty system is, after all, a matter which directly affects the welfare of the Mother Country, and especially its working-men, as well as that of the sugar Colonies.

A number of the small West India proprietors who had intended to improve their plants decided not to do anything until they knew what would happen as to the Convention in September,

1908. One who visited the West-Indian islands, and conversed with the bulk of the cane-sugar growers there, found that, whilst they were prepared to consider schemes for the improvement of their properties, so as to enable them to exist by producing sugar at prices which would compete with beet-root sugar in the British market, they were not prepared to make any fresh expenditure so long as there was any possibility of the Brussels Convention being denounced. The feeling was that, if they have again to compete against bounty-fed sugar in the British market, they must grow cotton or fruit, if possible, as it will certainly not pay to continue to grow sugar.

As to prices in bounty days and prices since the Convention, the following are the old tariff average prices of beet-root, granulated and cane-sugar for the eight years 1896-1903, and the tariff average prices for 1904-1906:

	88 Per cent. Beet-root. <i>s. d.</i>	First marks granulated. <i>s. d.</i>	Cane-sugar <i>s. d.</i>
1896.....	10 6	12 3	12 7
1897.....	8 9	10 7	10 10
1898.....	9 7	11 4	11 6
1899.....	10	11 6	12 1
1900.....	10 7	12 1½	13 6
1901.....	8 7	10 5	11 3
1902.....	6 8	8 1	8
1903.....	8 3¼	9 8½	9 10½
1904.....	9 9	11 7	11 1½
1905.....	11 6½	13 7¼	12 10
1906.....	8 7½	10 8½	9 9

The advance in prices in 1903 was due to short crops of beet on the Continent, owing partly to reduced sowings, but mainly to drought. Then came larger sowings and a full crop of beet, but in 1905 the Cuban troubles caused an advance in cane-sugar. Neither of these movements had anything to do with the Convention, but the effects would have been much greater had there been no Convention. For this reason: if the Continental bounties had not been abolished, the production of cane-sugar in the West Indies would have fallen off; whereas, owing to the stimulus given to the industry, the world's crop of cane-sugar, which was 4,296,506 tons in 1903-4, has been raised steadily year by year up to 5,000,000 tons. The product of a cane-sugar estate cannot be

increased much in a couple of years; the plants need time to grow and become productive. A beet farm can be made productive within six months; and the world's beet crop which dropped from 5,881,333 tons in 1903-4 to 4,712,976 tons in 1904-5 rose to about 6,670,000 tons in 1906-7.

The sugar-market has now two unrestricted sources of supply, and is not controlled by the beet-growers and the bounties. Therefore, the current prices in the market of the world are economic prices, regulated by the relation of supply to demand, and influenced only by the conditions which apply to all natural products. What the Convention, then, has done has been to preserve the British sugar Colonies from ruin, to revive Britain's domestic refining industry, to restore a disappearing branch of the engineering industry, and to preserve for the world two large and alternative sources of supply of one of the world's chief articles of consumption.

It so happens that none of the Continental beet-growing countries is now anxious to resume the heavy economic burden of the bounties. Therefore, they were willing to meet the wishes of the present British Government with regard to the penal clause of the Convention, and after much discussion the Permanent Sugar Commission at Brussels agreed in 1907 upon an additional Act to the following effect:

"The Governments of Germany, Austria, Hungary, Belgium, France, Great Britain, Italy, the Grand Duchy of Luxemburg, Holland, Peru, Sweden and Switzerland, having agreed to conclude a supplementary Act to the Convention of March 5th, 1902, relating to the sugar *régime*, the undersigned, duly authorized, have come to the following agreement:

"Article I. The contracting States engage to maintain the Convention of March 5th, 1902, in force for a further period of five years, from September 1st, 1908. Nevertheless, it shall be open to any one of them to withdraw from the Convention after September 1st, 1911, by giving notice one year in advance, if, at the last sitting held by the Permanent Commission before September 1st, 1910, it decided that circumstances render it necessary that this facility be given to the contracting States. For the rest the provisions of Article X of the Convention of March 5th, 1902, concerning the denunciation and renewal of the same, remain in force.

"Article II. As an exception to Article I Great Britain shall be released, from September 1st, 1908, from the obligations contained in Article IV of the Convention. From this same date the contracting Powers shall have the right to exact that, in order to obtain the benefits

of the Convention, all sugar refined in the United Kingdom and exported to their countries shall be accompanied by a certificate to the effect that no portion of such sugar comes from a country recognized by the Permanent Commission as giving bounties on the production or exportation of sugar.

"Article III. The present Supplementary Act shall be ratified, and the ratifications shall be deposited at the Ministry for Foreign Affairs at Brussels as quickly as possible, and in any case before February 1st, 1908. Its provisions shall not become obligatory unless it is ratified by at least all those contracting Powers who do not come under the exceptional terms of Article VI of the Convention. In case one or more of the said Powers shall have failed to deposit their ratifications within the specified time, the Belgian Government, during the month beginning February 1st, 1908, shall call upon such Powers as have ratified to decide whether the present Supplementary Act shall be applied as between themselves. The States which shall have failed to ratify before the date fixed, viz., February 1st, 1908, shall be considered as having denounced the Convention within the prescribed limits for it to cease to bind them from the following September 1st, unless a decision has been given in a contrary sense at the request of the Powers in question by a majority of the States summoned to deliberation, as set forth in the preceding paragraph."

The following "Protocol of Signature" was also agreed to:

"It is agreed that if the ratifications necessary according to Article III to give validity to the Supplementary Act have not been handed in before March 1st, 1908, the British Government shall be at liberty to denounce the Convention at that date from September 1st, 1908, whether or not they shall have previously ratified the Supplementary Act."

This was confirmed by the principal Powers concerned, and therefore the Convention will remain in force for other five years at any rate, although, if any important Power fails to ratify its signature before March 1st next, the British Government will be at liberty to denounce it at that date. But the non-ratifying Power may withdraw and leave the others to carry it on. As, however, the only sugar-exporting country of any consequence that was not party to the original Convention was Russia, and as Russia has now been admitted to the Convention, it is not probable that any further difficulty will arise in the near future. By the terms of the Supplementary Act, Great Britain may now receive Argentine sugar, which is bounty-fed. But Argentina has little or none to spare for export.

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